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August 10, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Investigation of Property Transfers from South Carolina Electric & Gas Company, SCANA, Other SCANA Affiliates and Non-Affiliated Entities, and Allocation of Expenses, Revenues and Plant between South Carolina Electric & Gas Company, SCANA and SCANA Affiliates
Docket No. 89-230-E/G

Friends of the Earth and Sierra Club, Complainant/Petitioner v. South Carolina Electric & Gas Company, Defendant/Respondent Docket No. 2017-207-E

Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920
Docket No. 2017-305-E

Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans
Docket No. 2017-370-E

Dear Ms. Boyd:

By Order No. 92-931 ("Order"), dated November 13, 1992, issued in Docket No. 89-230-E/G, the Public Service Commission of South Carolina ("Commission") requires South Carolina Electric & Gas Company ("SCE&G" or "Company") to "[f]ile all available ratings and notifications of any change in a security rating within 15 days or as soon as possible" with such notification to include "the news release or other information for the rating agency setting forth the reason for the change." See Appendix A to Order No. 92-931, Financial Transactions Reporting Requirement II.B.6.A. In compliance with the Order, the Company hereby notifies the Commission of the negative credit action by Fitch Ratings ("Fitch") and S&P Global Ratings ("S&P") against SCANA Corporation ("SCANA") and SCE&G.

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Fitch Ratings

On August 8, 2018, Fitch took negative credit action against SCANA and SCE&G by downgrading their credit ratings across the board (with the exception of SCANA's short-term debt (commercial paper) rating, which remained below investment grade). Fitch also maintained its "evolving" ratings outlook for both SCANA and SCE&G. Below are tables reflecting the Fitch downgrades experienced by SCANA and SCE&G.

SCANA	Prior Rating as of July 3, 2018	Current Rating as of August 8, 2018
Issuer Rating Corporate Credit Rating Issuer Default Rating	BB+	BB
Senior Unsecured Debt (Medium-Term Notes)	BB+	BB
Short-Term Debt (Commercial Paper)	B	B

All of SCANA's current credit ratings referenced in the table above are currently below investment grade, which is commonly referred to as "speculative 'junk' grade."

SCE&G	Prior Rating as of July 3, 2018	Current Rating as of August 8, 2018
Issuer Rating Corporate Credit Rating Issuer Default Rating	BBB-	BB+
Senior Secured Debt (First Mortgage Bonds)	BBB+	BBB
Senior Unsecured Debt	BBB	BBB-
Short-Term Debt (Commercial Paper)	F-3	B

With the downgrade by Fitch, SCE&G's Issuer Rating and Short-Term Debt (Commercial Paper) rating referenced in the table above are now both below investment grade, which is commonly referred to as "speculative 'junk' grade," and SCE&G's Senior Unsecured Debt rating is only one notch above "speculative 'junk' grade."

As support for its decision to downgrade the credit ratings of SCANA and SCE&G, Fitch cited the "sharp deterioration in the legislative and regulatory environment in South Carolina since abandonment of the new nuclear project in July 2017," including H. 4375's "legislatively mandated 14.8% rate cut, changes to definitions and statutory components of the state's utility regulation" which Fitch believes "are likely to result in diminished regulatory support." Fitch further noted that "if the recently order 14.8% rate reduction [were] to be made permanent, there would be a significant effect on [SCANA] and SCE&G's credit metrics, "whereas the acquisition

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by Dominion Energy, Inc., "as currently proposed, would enhance [SCANA]'s credit quality as it would bring [SCANA] into the fold of a larger and better capitalized entity." Fitch stated that "[i]f the merger were to be consummated as originally envisioned, Fitch expects a stabilization of [SCANA]'s and SCE&G's credit metrics and would consider an upgrade." A copy of Fitch's press release is enclosed.

S&P Global Ratings

On August 9, 2018, S&P took negative credit action against SCANA and SCE&G by downgrading their credit ratings across the board. S&P also maintained its "negative" ratings outlook for both SCANA and SCE&G. Below are tables reflecting the S&P downgrades experienced by SCANA and SCE&G.

SCANA	Prior Rating as of July 3, 2018	Current Rating as of August 9, 2018
Issuer Rating		
Corporate Credit Rating	BBB	BBB-
Issuer Default Rating		
Senior Unsecured Debt (Medium-Term Notes)	BBB-	BB+
Short-Term Debt (Commercial Paper)	A-2	A-3

With the downgrade by S&P, SCANA's senior unsecured debt (medium-term notes) rating referenced in the table above is currently below investment grade, which is commonly referred to as "speculative 'junk' grade." SCANA's Issuer Rating and Short-Term Debt (Commercial Paper) rating are presently only one notch above "speculative 'junk' grade."

SCE&G	Prior Rating as of July 3, 2018	Current Rating as of August 9, 2018
Issuer Rating		
Corporate Credit Rating	BBB	BBB-
Issuer Default Rating		
Senior Secured Debt (First Mortgage Bonds)	A-	BBB+
Short-Term Debt (Commercial Paper)	A-2	A-3

With the downgrade by S&P, SCE&G's Issuer Rating and Short-Term Debt (Commercial Paper) rating are presently only one notch above "speculative 'junk' grade."

As support for its decision to downgrade the credit ratings of SCANA and SCE&G, S&P cited the denial of SCE&G's request for a preliminary injunction to halt the temporary 15% rate reduction tied to V.C. Summer cost recovery and passed by the South Carolina General Assembly.

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S&P noted that its downgrade on SCANA and SCE&G “reflects our expectation of reduced consolidated credit metrics over the next two years, even after incorporating the company’s announced cut to its dividend payments.” A copy of S&P’s press release is enclosed.

By copy of this letter we are serving a copy of SCE&G’s notification upon the South Carolina Office of Regulatory Staff as well as the other parties of record in Docket Nos. 2017-207-E, 2017-305-E, and 2017-370-E.

If you have any questions or need additional information, please advise.

Very truly yours,


K. Chad Burgess

KCB/kms
Enclosures

cc: All parties of record in Docket No. 2017-207-E
All parties of record in Docket No. 2017-305-E
All parties of record in Docket No. 2017-370-E
(all via electronic mail only)

RatingsDirect®

Research Update:

SCANA Corp. And Subsidiaries Downgraded To 'BBB-' After Court Rejects Company's Request; CreditWatch Negative Maintained

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Research Update:

SCANA Corp. And Subsidiaries Downgraded To 'BBB-' After Court Rejects Company's Request; CreditWatch Negative Maintained

Overview

- On Aug. 6, 2018, a federal judge denied South Carolina Electric & Gas Co.'s (SCE&G) request for a preliminary injunction to halt an experimental rate reduction tied to cost recovery of the construction costs of the cancelled V.C. Summer nuclear generation units 2 and 3 project. SCE&G is a subsidiary of SCANA Corp.
- Following a South Carolina General Assembly law requiring the 15% experimental rate reduction, the South Carolina Public Service Commission (PSC) lowered SCE&G's monthly rates roughly \$31 million related to the cancelled construction project.
- The rate reduction is temporary until the PSC rules on SCE&G's permanent rate recovery of the abandoned project.
- After this rate reduction, we expect weaker financial measures and therefore we are lowering our ratings, including our issuer credit ratings to 'BBB-' from 'BBB', on SCANA and its subsidiaries SCE&G and Public Service Co. of North Carolina Inc. (PSNC).
- We are revising our comparable ratings analysis modifiers on SCANA and SCE&G to negative from neutral to reflect less credit supportive financial metrics after the 15% rate reduction.
- We are maintaining the ratings on CreditWatch with negative implications due to uncertainty regarding the PSC's final decision about rate recovery of the V.C. Summer nuclear construction project expected around year-end 2018.

Rating Action

On Aug. 9, 2018, S&P Global Ratings lowered its ratings, including the issuer credit ratings, on SCANA Corp. and its subsidiaries, South Carolina Electric & Gas Co. (SCE&G) and Public Service Co. of North Carolina Inc. (PSNC), by one notch to 'BBB-' from 'BBB'. The ratings remain on CreditWatch, where they were placed with negative implications on Sept. 29, 2017. We lowered the short-term ratings on SCANA, SCE&G, PSNC, and South Carolina Fuel Co. to 'A-3' from 'A-2' and maintained them on CreditWatch negative.

Rationale

The rating actions follow the Aug. 6, 2018, federal court denial of SCE&G's request for a preliminary injunction to halt a temporary 15% rate reduction tied to V.C. Summer cost recovery. On June 28, 2018, the South Carolina General Assembly passed a law requiring the PSC to order SCE&G to lower electric rates associated with the cancelled V.C. Summer nuclear construction project by 15%, equivalent to a roughly \$31 million per month rate reduction at the utility. The bill retroactively reduces rates from April 1, 2018, until the PSC issues a ruling regarding final cost recovery regarding the cancelled construction of the nuclear units.

The downgrade on SCANA and its subsidiaries reflects our expectation of reduced consolidated credit metrics over the next two years, even after incorporating the company's announced cut to its dividend payments. We assess SCANA's financial measures using more relaxed financial benchmarks relative to typical corporate issuers, reflecting the company's mostly utility operations. For 2018, our base-case scenario assumes a \$279 million rate reduction and \$750 million of capital spending. We anticipate a weakening of the consolidated company's credit measures with adjusted funds from operations (FFO) to debt of about 16% in 2018, with a further decline in 2019 to about 12% if the temporary 15% reduction is made permanent. We have thus revised our comparable ratings analysis modifier on the consolidated company to negative from neutral to reflect credit metrics at the lower end of the significant financial risk profile category.

CreditWatch

The CreditWatch with negative implications on SCANA and its subsidiaries reflects our view of ongoing uncertainty regarding cost recovery of the abandoned V.C. Summer nuclear construction project. We could lower ratings again if credit metrics weaken further beyond those in our base-case scenario, which assumes the temporary rate cut is made permanent. This could occur following the pending Summer abandonment proceeding if the PSC orders a permanent rate reduction or rate credits that lead to incrementally weaker financial measures than those resulting from the temporary 15% rate cut. Conversely, we could affirm ratings if the PSC does not require further rate credits or rate reductions beyond the 15% rate reduction already assumed in our base-case scenario.

Ratings Score Snapshot

Issuer Credit Rating: BBB-/Watch Neg/A-3

Business risk: Strong

• Country risk: Very Low

Research Update: SCANA Corp. And Subsidiaries Downgraded To 'BBB-' After Court Rejects Company's Request; CreditWatch Negative Maintained

- **Industry risk:** Very low
- **Competitive position:** Satisfactory

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Negative (-1 notch)
- **Stand-alone credit profile:** bbb-
- **Group credit profile:** bbb-

Issue Ratings--Subordination Risk Analysis

Capital structure

SCANA's capital structure consists of about \$1.2 billion of unsecured debt issued by SCANA and \$5.8 billion of debt issued by its subsidiaries.

Analytical conclusions

- We rate SCANA's unsecured debt one notch below the issuer credit rating because it ranks behind a significant amount of debt issued by subsidiaries.
- The junior subordinated debt at SCANA is rated two notches below the issuer credit rating to reflect subordination and deferability.
- Secured debt at SCE&G benefits from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral provides coverage of more than 1.5x, supporting a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.
- Regarding unsecured debt at the utility subsidiaries, we rate this debt the same as the issuer credit rating because it is the debt of a qualified investment-grade utility.
- Preferred stock at SCE&G is two notches below the issuer credit rating to reflect subordination and deferability.

Research Update: SCANA Corp. And Subsidiaries Downgraded To 'BBB-' After Court Rejects Company's Request;
CreditWatch Negative Maintained

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Ratings List

Downgraded; CreditWatch Action

	To	From
SCANA Corp.		
South Carolina Electric & Gas Co.		
Public Service Co. of North Carolina Inc.		
Issuer Credit Rating	BBB-/Watch Neg/A-3	BBB-/Watch Neg/A-2
South Carolina Fuel Co.		
Issuer Credit Rating	--/Watch Neg/A-3	--/Watch Neg/A-2
SCANA Corp.		
Senior Unsecured	BB+/Watch Neg	BBB-/Watch Neg
Junior Subordinated	BB-/Watch Neg	BB+/Watch Neg
Commercial Paper	A-3/Watch Neg	A-2/Watch Neg

*Research Update: SCANA Corp. And Subsidiaries Downgraded To 'BBB-' After Court Rejects Company's Request;
Credit Watch Negative Maintained*

Public Service Co. of North Carolina Inc.

Senior Unsecured	BBB-/Watch Neg	BBB-/Watch Neg
Commercial Paper	A-3/Watch Neg	A-2/Watch Neg

South Carolina Electric & Gas Co.

Senior Secured	BBB+/Watch Neg	A-/Watch Neg
Recovery Rating	1+	1+
Preferred Stock	BB-/Watch Neg	BB+/Watch Neg
Commercial Paper	A-3/Watch Neg	A-2/Watch Neg

South Carolina Fuel Co.

Commercial Paper	A-3/Watch Neg	A-2/Watch Neg
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Fitch Downgrades SCANA to 'BB'/SCE&G to 'BB+'; Maintains Rating Watch Evolving

Fitch Ratings-New York-08 August 2018: Fitch Ratings has downgraded the long-term Issuer Default Ratings (IDRs) of South Carolina Electric and Gas Co (SCE&G) and its parent SCANA Corp. (SCANA) by one notch to 'BB+' and 'BB', respectively. Fitch also downgraded the ratings of Public Service Company of North Carolina (PSNC) by one notch, to 'BB+', given the rating linkage with its parent, SCANA. Concurrently, the short-term IDRs of SCE&G and PSNC were downgraded to 'B' from 'F3' while the short-term IDR of SCANA was maintained at 'B'. The downgrades follow the absence of injunctive relief blocking the recently enacted 14.8% electric rate cut. While the company is likely to appeal the Aug. 6, 2018 order from the U.S. District Court, the rate cut will be implemented with SCE&G's August billing cycle which began on Aug. 7, 2018. As such, SCE&G will collect 14.8% less electric revenue on an ongoing basis until the South Carolina Public Service Commission (PSC) issues an order in a multi-docketed proceeding, which is expected by Dec. 21, 2018. Additionally, SCE&G will credit customers on the August bills for the rate cut retroactive to April 1, 2018. The rate cut was ordered by the PSC to comply with Act 258, which resulted from the passage of HB4375. As per the legislation, the new rate is considered an "experimental rate" until the PSC issues a final order.

If allowed to stand, Fitch considers the magnitude of the cut to be detrimental to SCE&G's and SCG's credit metrics, even after consideration of SCG's 80% reduction of the common dividend. Despite the legislature's characterization of the new rate as "temporary," Fitch is concerned that the expected December order could be of the same magnitude. If the PSG issues an order in December 2018 with a permanent cut of a similar magnitude, additional downgrades may be warranted. If the 14.8% rate cut were to be permanent, Fitch expects SCG's Total Adjusted Debt/EBITDAR to average around 6x over the next three years and SCE&G's to average around 5.7x, both above Fitch's previously stated downgrade thresholds of 5.5x and 5.0x, respectively.

Fitch also notes important changes to South Carolina utility regulation contained in HB4375 that could result in the continuation of SCG's adversarial regulatory relationship. Fitch acknowledges the existence of additional state and federal investigations into various aspects of the terminated nuclear project, but believes that at this time none have reached a level to have rating implications.

Fitch's Rating Watch Evolving also considers the potential positive implications of the proposed merger between SCG and Dominion Energy (DEI, BBB+/Stable). If the merger were to be consummated as originally envisioned, Fitch expects a stabilization of SCG's and SCE&G's credit metrics, albeit at a lower level, if the 14.8% rate cut is upheld. Given the animosity exhibited by the interventionist state legislature, it is not clear if there will be support of DEI's proposed regulatory solution. An order is expected in DEI's proposal by Dec. 21, 2018 as part of the aforementioned multi-docketed proceeding. SCG shareholders approved the merger on the DEI merger on July 31, 2018.

KEY RATING DRIVERS

Adverse Regulatory Environment: The ratings reflect the sharp deterioration in the legislative and regulatory environment in South Carolina since abandonment of the new nuclear project in July 2016. In addition to HB4375's legislatively mandated 14.8% rate cut, changes to definitions and statutory components of the state's utility regulation are likely to result in diminished regulatory support, in Fitch's opinion. Among such items are an expansive definition of prudence, removal of the mandate that the Office or Regulatory Staff (ORS) must consider preservation of a utility's financial integrity, and granting the ORS subpoena powers. A second bill (SB954) passed by the Legislature orders the PSC to deviate from the statutory six-month limit on rate proceedings and prohibits an order in the multi-docketed proceeding before Nov. 1, 2018. SCG has filed a lawsuit in federal court alleging that HB4375 and SB954 constitute an unlawful taking of private property and violate due process, among other issues. The company failed to garner injunctive relief to stay the immediate implementation of the two laws and the

accompanying rate cut.

Financial Policy and Capital Structure: Management's financial policy, including targeted leverage and allocation of capital, will be key rating drivers going forward. The company recently cut its dividend by 80%, preserving approximately \$275 million in cash annually. Nonetheless, if the recently ordered 14.8% rate reduction were to be made permanent, there would be a significant effect on SCG and SCE&G's credit metrics. Fitch expects SCG's total adjusted debt/EBITDAR to average around 6.0x over the next three years and SCE&G's to average around 5.7x, both above Fitch's previously stated downgrade thresholds of 5.5x and 5.0x, respectively.

Acquisition by DEI: The acquisition by DEI, as currently proposed, would enhance SCG's credit quality as it would bring SCG into the fold of a larger and better capitalized entity. If the merger were to be consummated as originally envisioned, Fitch expects a stabilization of SCG's and SCE&G's credit metrics and would consider an upgrade. An order is expected in DEI's proposal by Dec. 21, 2018 as part of the aforementioned multi-docketed proceeding. SCG shareholders approved the merger with the DEI on July 31, 2018.

Parent/Subsidiary Rating Linkage: Fitch focuses on operational ties between SCG, SCE&G and PSNC in assessing the rating linkage between them, in accordance with its criteria for subsidiaries with stronger credit profiles than their parents. Fitch assesses the operational ties as strong given the shared management and centralized treasury operations. In addition, SCE&G generates the majority of SCG's earnings while PSNC relies on equity infusions from SCG to implement its expansion program. As a result, Fitch currently rates SCE&G and PSNC one-notch above SCG.

DERIVATION SUMMARY

SCG, as a stand-alone entity with the current nuclear recovery uncertainty, is weakly positioned compared with IPALCO Enterprises, Inc.'s (BB+/Positive), given the more constructive and predictable regulatory environment of IPALCO's subsidiary, Indianapolis Power and Light Company (BBB-/Positive). IPALCO's greater earnings and cash flow visibility more than offset its higher proportion of parent-level debt. Historically, SCG has had a slightly more favorable business profile as compared to DPL, Inc. (BB/Positive) given SCG's predominant regulated operations. However, DPL is in the process of divesting the generation assets owned by AES Ohio Generation LLC, a non-regulated subsidiary. Additionally, Ohio's regulatory construct, while still in transition, is more constructive than what is playing out in South Carolina. In addition, Ohio regulators continue to demonstrate a willingness to take actions to protect the financial integrity of its utilities.

SCE&G is a vertically integrated regulated utility company operating exclusively in South Carolina. SCE&G's credit profile is constrained by the heightened regulatory and legislative risk related to the abandonment of its nuclear expansion project. SCE&G has a smaller scale and balance sheet than Georgia Power Company (A-/Negative), which undertook similar new nuclear construction risk. SCE&G and Dayton Power & Light Company (DP&L) (BBB-/Positive) both operate regulated assets with evolving regulatory constructs.

KEY ASSUMPTIONS

SCG and SCE&G

- 14.8% rate reduction through the forecast period attributable to costs currently being collected for VC Summer Nuclear;
- Additional new nuclear development (NND) impairment of \$1.67 billion;
- Columbia Energy Center recovered through rates in 2021;
- Reduction of the \$2.45 annual dividend by 80% (\$344 million to \$70 million).

PSNC

- Volume growth around 2.0% in the intermediate term;
- Approximately \$700 million of capex through 2020;
- Equity advances to maintain 40/60 debt/equity capital structure.

RATING SENSITIVITIES

SCG

Developments that May, Individually or Collectively, Lead to Positive Rating Action

The ratings could be upgraded if the merger into DEI closes as proposed and the issues surrounding the abandoned nuclear plants are resolved in a credit supportive manner. Ratings could be upgraded if recovery mechanisms for the stranded nuclear assets and management's financial policy result in SCG's adjusted debt/EBITDAR stabilizing at/or below 4.5x.

Developments that May, Individually or Collectively, Lead to Negative Rating Action

- The merger with DEI fails to close;
- Availability under committed liquidity facilities and anticipated internally generated cash flows falling short of expected obligations due in the next 12 months-18 months;
- Unfavorable terms for the recovery of stranded costs and/or material unrecoverable costs;
- Adjusted debt/EBITDAR consistently and materially exceeding 5.5x;
- Ring-fencing provisions that restrict cash inflows from SCE&G to SCG.

SCE&G

Developments that May, Individually or Collectively, Lead to Positive Rating Action

The ratings could be upgraded if the merger into DEI and resolution of new nuclear issues result in SCE&G's adjusted debt/EBITDAR stabilizing around 3.5x-4.0x.

Developments that May, Individually or Collectively, Lead to Negative Rating Action

Future developments that may, individually or collectively, lead to a negative rating action include;

- The merger with DEI fails to close;
- Availability under committed liquidity facilities and anticipated internally generated cash flows falling short of expected obligations due in the next 12 months-18 months.
- Unfavorable terms for the recovery of stranded costs, and/or material unrecoverable costs;
- Continued deterioration in the regulatory and legislative environment in South Carolina;
- Adjusted debt/EBITDAR consistently and materially exceeding 5.0x.

PSNC

Developments that May, Individually or Collectively, Lead to Positive Rating Action

Positive rating action is predicated upon a rating upgrade of SCG given PSNC's rating linkage with its parent. Fitch could widen the rating differential between the IDRs of PSNC and SCG if strong ring-fencing provisions were enacted.

Developments that May, Individually or Collectively, Lead to Negative Rating Action

--Given the strength of the credit metrics for the current ratings, a downgrade of parent SCG below the current 'BB+' represents the greatest likelihood of a PSNC downgrade. While less likely given the headroom, a downgrade could also occur if adjusted debt/EBITDAR exceeds 5.5x on a sustained basis.

LIQUIDITY

As of June 30, 2018, SCG had about \$337.6 million available under its \$400 million five-year credit agreement (expiring in December 2020) while SCE&G (inclusive of South Carolina Fuel Co.'s facilities) had \$842.2 million available under \$1.4 billion of consolidated committed credit agreements (\$1.2 billion maturing in December 2020 and \$200 million maturing in December 2018). PSNC had about \$169.1 million available under its \$200 million credit agreement. Additionally, SCG held \$238 million cash and cash equivalents as of June 30, 2018, of which \$222 million was at SCE&G. As of June 30, 2018, outstanding CP balances are as follows: SCG--\$29 million, SCE&G--\$457.5 million, and PSNC--\$30.9 million. SCE&G has two first mortgage bond maturities in November 2018 totalling \$550 million. Not giving effect to potential refinancing or retirement of the November maturities as of Dec. 31, 2017, the company has the ability to issue approximately \$1 billion in additional mortgage debt. If SCE&G is not able to refinance the bonds in the corporate market, Fitch expects the company to be able to access its credit

lines.

FULL LIST OF RATING ACTIONS

Fitch has downgraded the following ratings and maintained the Rating Watch Evolving:

SCANA Corporation

- Long-term IDR to 'BB' from 'BB+';
- Senior unsecured debt to 'BB'/RR4' from 'BB+';

South Carolina Electric & Gas Co.

- Long-term IDR to 'BB+' from 'BBB-';
- First mortgage bonds to 'BBB'/RR1' from 'BBB+';
- Senior unsecured debt to 'BBB-'/RR2' from 'BBB+';
- Short-term IDR to 'B' from 'F3';
- Commercial paper to 'B' from 'F3'.

Public Service Company of North Carolina, Inc.

- Long-term IDR to 'BB+' from 'BBB-';
- Senior unsecured debt to 'BBB-'/RR2' from 'BBB+';
- Short-term IDR to 'B' from 'F3';
- Commercial paper to 'B' from 'F3'.

South Carolina Fuel Company

- Commercial paper to 'B' from 'F3'.

Fitch has maintained the following ratings on Rating Watch Evolving:

SCANA Corporation

- Short-term IDR of 'B';
- Commercial paper of 'B'.

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Summary of Financial Statement Adjustments - No financial statement adjustments were made that were material to the rating rationale outlined above.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Corporate Rating Criteria (pub. 23 Mar 2018) (<https://www.fitchratings.com/site/re/10023785>)

Corporates Notching and Recovery Ratings Criteria (pub. 23 Mar 2018)
(<https://www.fitchratings.com/site/re/10024585>)

Parent and Subsidiary Rating Linkage (pub. 16 Jul 2018) (<https://www.fitchratings.com/site/re/10036366>)

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Dodd-Frank Rating Information Disclosure Form (<https://www.fitchratings.com/site/dodd-frank-disclosure/10040895>)

Solicitation Status (<https://www.fitchratings.com/site/pr/10040895#solicitation>)

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8/8/2018

[Press Release] Fitch Downgrades SCANA to 'BB-/SCE&G to 'BB-'; Maintains Rating Watch Evolving

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UNSOLICITED ISSUERS

Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
South Carolina Fuel Company USCP 4(2)/144A D	:-	Short Term Rating	Unsolicited

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